



*Financial Affairs Committee*  
**May 19, 2000**

**1. Opening Business**

The meeting was held in the ACWA Office Boardroom, 910 K Street, Sacramento. The meeting began at 9:30 a.m. In keeping with the desire of the Financial Affairs Committee (FAC) to familiarize its members with more information relative to CVP facilities, suggestions were solicited for facility visitation this summer. The Glenn-Colusa Fish Screen and the Folsom Resources Center were two sites that will be pursued.

The next Financial Affairs meeting will be held at **9:30 a.m. on June 16 at the CVPWA Office, 1521 "I" Street, Sacramento.** This meeting will coincide with the Cost Allocation Workshop that will be held at 1:00 p.m. on June 15 at the Radisson Hotel in Sacramento.

**2. Reclamation Reporting**

--*Update on Water Accounting Program (RAIN).* Mike Finnegan commented that JAVIS, the contractor developing the Joint Application Development (JAD) Project for the WORKS Replacement Preliminary Design Document, has completed its work. He expects to get comments back from the JAD team regarding their review of the proposal by June 2. Mike said the Bureau can contract with JAVIS to develop the program without further competition or it can go out to other contractors via the competitive process. Ron Jacobsma asked if the CVPWA FAC would be able to review and distribute the document to other parties before the Bureau makes its decision whether to engage JAVIS. Mike said he would find out and get back to the Committee. He emphasized that the Bureau will collaborate with CVPWA before putting the water accounting program in place.

--*1999 Water Contractor Accountings.* Jesus Reynoso reported that all of the issues raised in our April 3 letter (re: Preliminary FY 99 Accountings) have been resolved. He noted that he has been working with Russell Harrington, Westlands WD, to resolve a water delivery reconciliation issue that Russell raised regarding the reporting of Cross Valley water transfers from Pixley ID and Lower Tule River ID to Westlands WD. He said the issue is essentially resolved. Jim Bjornsen said that the Bureau is in the final stages of completing the 1999 final accountings and suggested that this item be closed.

--*CVP Cost Allocation.* Mike reported that the next Cost Allocation Workshop would be held at the Double Tree on June 15 to discuss the proposed evaluation plan and evaluation criteria for selecting a cost allocation methodology from three alternatives. Following the workshop an internal Bureau meeting will be held to formalize the evaluation criteria. Following the evaluation criteria workshop, a public meeting will be held to discuss the selection of the preferred alternative. Mike said he hoped that the decision-making would be made at the most local (Regional) level. The Bureau wants to have the final cost allocation plan adopted by the end of the calendar year.

--*Project Use Energy True-up Adjustment.* Jim Bjornsen reported that the report on the status of the 1999 PUE true-up adjustment would have to be put on hold until next month when Janice Bartlett is available. It was mentioned last month that Western is implementing a new accounting system and

may be experiencing some difficulties as their Financial Statements for the accounting period which ended September 30, 1999 are not yet available. The 1999 True-up adjustment was to be included in the Bureau's year 2000 accounts. Staff from the Bureau and Western will be asked to provide further detail regarding this situation at the June FAC meeting.

--*Status and Process of Water Contractor's Account Reconciliation.* This item was included in the agenda at the request of the Del Puerto WD. It seems that the district is having difficulty reconciling its payment records with the Bureau's accounting system records. The District wants to know where in the Bureau accounts its payments are recorded. Anthea Hansen, Del Puerto WD, has been working with Bureau staff to resolve several discrepancies that she has detected, but, to-date, many items remain unresolved. Of significant concern was whether the current process adequately covers reconciliation of both water and CVPIA charges. Jim Bjornsen explained how the Bureau accounts for Restoration Fund and regular water revenues when they are received and described the controls that are in place to ensure that they are accounted for properly. He emphasized that the current system of checks and balances is strong. He has great confidence that the revenues were accounted for properly. Mike Finnegan agreed to get the appropriate Bureau people together to meet with Anthea in Sacramento and provide her with all the detail necessary to assure her that the District's funds were accounted for properly.

--*Modification of Fiscal Agencies Responsibilities.* Mike Finnegan reported that Jim Turner, DOI Solicitor, is pursuing options regarding a decision on this issue. Mike was asked to speak with Lester Snow or Jim Turner to find out how the Authorities could work with the Bureau in evaluating acceptable alternatives.

### **3. Procedures for Computation of 2001 Capital Water Rates.**

--Ron reported on his recent discussion with Lester Snow and others at the ACWA meeting regarding the Bureau's decision to use a five-year average delivery period for computing 2001 capital water rates. The FAC expressed displeasure with the Bureau's sudden push to change the capital water rate computation methodology without discussing it in advance with the Association. The Bureau agreed to defer a decision until mid-June to allow the FAC to run the numbers to demonstrate that the current system of using a combination of historical and projected water deliveries over the 50-year repayment period will create less rate volatility than will the Bureau's proposed method while achieving full project repayment in 2030 as required by law. The Bureau has agreed to provide us with the necessary data to conduct our analysis and has agreed to schedule a working meeting to discuss the issue. The CVPWA has hired Lynn Hurley to lead in conducting the analysis. Mike Finnegan cautioned that we have to work together to agree on the numbers and discuss the issues, i.e., volatility and impacts, then see how the analysis comes out.

### **4. Budget Workshops**

--*Feedback on Spring Budget Workshop.* It was noted that the recent budget workshop was very informative as to the Bureau budgeting process. It was also suggested that the next workshop should zero-in more on the numbers as the CVP contractors gain familiarity with the process. Those who attended the last workshop were asked to provide their comments on the workshop to George Senn for summarization and forwarding to the Bureau.

--*Time/Process of Budget Development Activities (late Summer Activities).* Mike Finnegan said that the 2003 activity plans should be ready for the budget workshops. The Bureau will internally discuss the problems associated with activity plans not being completed on time. Ron stated that the activity plans were adequate as received last year, but they are needed before the workshops. It was

suggested that activity plans do not need to be sent out to all contractors, only the core personnel who have committed long-term to participate in the budget review process. These core personnel will then distribute the information to others on an as requested basis. The Bureau was requested to distribute the 2003 activity plans to the budget review personnel at the earliest practical date. Mike said that the bulk of the 2001 activity plans could be extrapolated for 2003 by using the information provided last year.

**5. Contract Renewal Update**

--It was noted that contract renewal negotiation meetings are scheduled for May 23-25.

**6. Other Issues**

--*Status of "Excess Capacity" Legislation.* The proposed legislation is seeking co-sponsors for introduction in the House of Representatives. Several key congressmen, including Bill Thomas, George Redonovich, and Cal Dooley have indicated support for the bill. The legislation will do three primary things--it will credit Warren Act revenues back to the projects, allow for non-irrigation use of project facilities (in all Bureau projects), and will provide a formal process for contractor review of Excess Capacity contracts before Bureau execution to insure that existing contractors and project purposes are not harmed.

--*Tiered Pricing.* No discussion.

**7. CVPWA Session (USBR remained in attendance)**

--Continuation of the Capital Water Rate computation change-Discussed the Bureau's proposed use of a 5-year delivery period to calculate 2001 capital water rates. Concern remains that the proposed method will create more rate volatility and uncertainty than the current system that uses 50 years of historical and projected deliveries to perform the calculation. When all water service contracts have been renewed and contractors are paying cost of service, the current method would result in timely project repayment with little rate volatility. Mike Finnegan commented that the Bureau is looking for a more accurate method to predict deliveries—the 5-year approach is not the only way—but if there is a better way, the Bureau is open to it. Mike said that the basic assumptions of the Bureau are to ensure timely project repayment and to minimize rate volatility. Mike emphasized that the Bureau will not push for a process that will increase rate volatility. It was agreed that our analysis would include a cross section of water contractors and application of various water delivery scenarios. The FAC plans to present the results of the analysis to the Bureau via graphs and charts, along with the detailed supporting calculations.